

Message Text

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12

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

AGR-20 PA-04 PRS-01 USIA-15 DRC-01 /194 W

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R 111703Z SEP 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3791

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS LONDON 11725

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: UNITED KINGDOM BALANCE OF PAYMENTS-2ND Q 1974

BEGIN SUMMARY: IN THE SECOND QUARTER, THE UK RECORDED A
CURRENT ACCOUNT DEFICIT OF 1,051 MILLION POUNDS (S.A.).
HOWEVER, THIS DEFICIT WAS MORE THAN OFFSET BY INVESTMENT
AND OTHER CAPITAL INFLOWS RESULTING IN AN ADDITION TO
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RESERVES OF 111 MILLION POUNDS. END SUMMARY

1. THE UK CURRENT ACCOUNT (S.A.) IS ESTIMATED TO HAVE BEEN IN DEFICIT BY 1,051 MILLION POUNDS IN THE SECOND QUARTER. OF THE VISIBLE TRADE DEFICIT OF 1,361 MILLION POUNDS, 917 MILLION POUNDS IS ATTRIBUTED TO TRADE IN OIL AND 444 MILLION POUNDS TO TRADE IN OTHER GOODS. COMPARED TO THE FIRST QUARTER THIS REPRESENTS A REDUCTION OF 121 MILLION POUNDS IN THE NON-OIL TRADE DEFICIT AND A FURTHER DETERIORATION OF 196 MILLION POUNDS IN THE OIL DEFICIT. ESTIMATED NET EARNINGS FROM INVISIBLES WERE 310 MILLION POUNDS.

2. THE CURRENT ACCOUNT DEFICIT (N.S.A.) WAS 1,024 MILLION POUNDS AND PAYMENTS UNDER THE STERLING AGREEMENT TOTALED 29 MILLION POUNDS. THIS WAS MORE THAN OFFSET BY IDENTIFIED INFLOWS OF INVESTMENT AND OTHER CAPITAL OF 1,130 MILLION POUNDS REFLECTING PUBLIC SECTOR BORROWING, INCREASES IN STERLING HOLDINGS AND NET PRIVATE INVESTMENT IN THE UK. BORROWING BY THE UK PUBLIC SECTOR AMOUNTED TO 514 MILLION POUNDS, OF WHICH 292 MILLION POUNDS WAS BORROWED IN OVERSEAS CURRENCIES THROUGH UK BANKS AND 222 MILLION POUNDS BORROWED DIRECTLY FROM ABROAD. UK PRIVATE INVESTMENT OVERSEAS SHOWED NO NET MOVEMENT IN THE QUARTER, BUT CONSIDERABLE DISINVESTMENT BY BOTH PORTFOLIO HOLDERS AND OIL COMPANIES DID TAKE PLACE. OVERSEAS COUNTRIES' EXCHANGE RESERVES HELD IN STERLING INCREASED BY NEARLY 170 MILLION POUNDS, WITH SUBSTANTIAL DISINVESTMENT IN BRITISH GOVERNMENT STOCKS BY SOME COUNTRIES BEING MORE THAN OFFSET BY INCREASES IN OTHER FORMS OF STERLING HOLDINGS, ESPECIALLY BY OIL PRODUCERS.

3. THE DEFICIT ON CURRENT ACCOUNT AND CAPITAL TRANSFERS OF 1,053 MILLION POUNDS (N.S.A.) WAS MORE THAN OFFSET BY IDENTIFIED INVESTMENT AND OTHER CAPITAL FLOWS OF 1,130 MILLION POUNDS LEAVING A POSITIVE BALANCING ITEM, REPRESENTING ERRORS AND OMISSIONS OF 34 MILLION POUNDS. THE NET CURRENCY INFLOW OF 111 MILLION POUNDS WAS ADDED TO RESERVES.

4. FOR FIRST HALF 1974, THERE WAS CURRENT ACCOUNT DEFICIT UNCLASSIFIED

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OF 2,036 MILLION POUNDS WITH A TRADE DEFICIT OF 2,647 MILLION POUNDS AND AN INVISIBLES SURPLUS OF 611 MILLION POUNDS (ALL SEASONALLY ADJUSTED). ON A NOT SEASONALLY ADJUSTED BASIS, THE CURRENT ACCOUNT WAS IN DEFICIT BY 2,103 MILLION POUNDS WITH CAPITAL TRANSFERS OF 29 MILLION POUNDS, INVESTMENT AND OTHER CAPITAL INFLOWS OF 1,751 MILLION POUNDS AND A POSITIVE BALANCING ITEM OF 453 MILLION POUNDS. A TOTAL OF 72 MILLION POUNDS WAS ADDED TO

RESERVES.
SOHM

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 11 SEP 1974
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
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Enclosure: n/a
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30 JUN 2005

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TAGS: EFIN, UK
To: STATE
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Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005